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Livestock, Dairy, and Poultry Outlook

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Red Meat Exports At Record Levels in 2011

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The next newsletter
release is Apr 14, 2011

Approved by the
World Agricultural
Outlook Board

Beef/Cattle: Dry conditions in the Southern United States have reduced the March runs of feeder cattle from wheat pasture this year, moving some feeder cattle into feedlots earlier than is typical and shifting some cattle into summer grazing programs. Tightness of cattle inventories at all levels is increasing the volatility in cattle and beef prices.

Beef/Cattle Trade: U.S. beef exports for 2011 are forecast at 2.43 billion pounds and beef imports are forecast at 2.3 billion pounds, making the U.S. a net exporter of beef again in 2011, and by a larger margin. Cattle imports from Mexico thus far in the year have been particularly strong; however, total cattle imports for 2011 are forecast lower year-over-year.

Pork/Hogs: Pork prices are year-over-year higher, despite increased pork production in January-February. Strong pork and hog prices are most likely largely attributable to increased consumer demand. Despite higher feed costs, estimated average dressed hog weights in January-February were almost 5 pounds greater than in the same period of 2010. Higher hog and pork prices appear to have at least partially offset higher costs of adding more weight to hogs. January U.S. pork exports, at almost 369 million pounds, were more than 17 percent higher than a year earlier. The largest foreign destinations in January were Japan, Mexico, South Korea, Canada, and China.

Poultry: Broiler meat production rose notably in January, but broiler hatchery numbers point to less growth in production in the coming months. Broiler production for 2011 is estimated to be higher than the previous year through the first half of the year. The estimates for first- and second quarter turkey meat production were both increased by 25 million pounds. Ending stocks for January showed whole turkey inventories down 26 percent. Table egg production rose in January and wholesale egg prices weakened in early March, but prices are expected to strengthen toward the end of the first quarter with the approach of the Easter holiday period.

Poultry Trade: January broiler and turkey shipments were both up from last year. Broiler shipments totaled 462.5 million pounds, an increase of less than 1 percent from January 2010 shipments. Turkey shipments totaled 47.6 million pounds, a 47-percent jump from a year earlier.

Sheep/Lamb: Lamb and mutton production are seeing their lowest levels on record. First-quarter 2011 lamb and mutton production are forecast at 37 million pounds, down 14 percent from the same period in 2010. Extraordinarily high sheep and lamb prices are probably contributing to falling domestic production levels. Imports remain strong despite high Australian and New Zealand currencies.

Dairy: Milk production is forecast to expand this year as the number of cows increases; milk per cow is also forecast to increase, albeit at a slower pace in 2011. High feed prices and softening milk prices may ultimately blunt the expansion in cow numbers, but through the first part of the year, strong export demand for all products and recovering domestic demand has supported milk prices, trumping higher feed prices for most producers.

Dry Conditions in the South Affecting Grazing Programs

The expanding dry conditions in the Southern United States are causing pastures to deteriorate and dimming prospects for a wheat crop. According to some experts, sufficient precipitation could salvage the wheat crop. However, others think that it is already too late and that the crop is in too poor a condition for even that prospect. The dryness does raise the potential for some limited graze-out wheat pasture. If some wheat is grazed out, some feeder cattle could be placed in feedlots in late April-May. Otherwise, these cattle will move into summer grazing programs in areas where adequate forage is available.

Despite a 39-percent, year-over-year decline in cumulative year-to-date imports of cows from Canada for slaughter, total weekly federally inspected cow slaughter is up about 3 percent over year-earlier slaughter on a cumulative weekly slaughter basis through February 26, 2011. Dairy cow slaughter, up 11 percent, has continued unabated, and because dairy cows hang heavier carcasses than beef cows, is adding to average dressed weights for cows. Beef cow slaughter, on the other hand, has declined more than 4 percent from year-earlier cumulative totals. As Southern pastures continue to deteriorate from the lack of precipitation and as cow prices continue to provide incentive to sell cows, the potential for further removal of cows from the area increases.

Despite the dry conditions in the South, demand for under-750-pound feeder cattle for summer grazing programs remains high. Feedlot demand for placement-weight cattle, on the other hand, is losing its edge due to expected cattle feeding costs that will be above even the record-setting current cash and April-June 2011 futures prices.

January 1, 2011 supplies of feeder cattle outside feedlots, at 26.771 million head—3 percent below supplies in 2010—were the lowest since the series began in 1996. At the same time, January 1 cattle-on-feed inventories (all feedlots) were higher than those in 9 of the previous 16 years and represented the third highest proportion of the previous year's calf crop, exceeded only by ratios in 2007 and 2008. These two factors indicate there will be large amounts of beef in the first half of 2011, but very low numbers of feeder cattle for placement for marketing during the second half of 2011 and 2012. The ratio of heifers on feed on January 1 to total steers and heifers on feed—the highest January ratio since 2004—also indicates that there were only limited plans at best for either maintaining or increasing the beef cow herd. Current prices for all cattle make it difficult for producers to decide to retain either cows or heifers for breeding.

Positive Cattle Feeding Margins May Not Continue

Cattle feeding margins were positive during most of 2010 and the first quarter of 2011, despite high feeder cattle and feed costs. However, current equity requirements and financial commitments for cattle feeding are at record highs. Other uncertainties abound—the macroeconomic situation, ethanol and farm policy with respect to feedgrains, and exports and exchange rates, to mention a few. This combination of risk factors may dampen the expectation of future profits that would motivate herd rebuilding in the context of conventional cattle feeding.

With the very high percentages of carcasses grading Choice or better, the Choice-Select spread has all but disappeared recently and has inverted on several occasions. This implies that there is either plenty of Choice beef or not enough Select beef to meet demand. The latter situation is more likely, given the current market demand for ground products and the reduced imports of processing beef. Wholesale cutout values for Choice and Select beef continue to increase as packers work to push prices paid for fed cattle through to the retail level. At the same time, retail prices for beef have reached levels that are beginning to generate some consumer resistance.

U.S. Beef Export Market Set for a Dynamic 2011

Many of the same dynamics in play in the U.S. beef export and import markets in 2010 should continue this year. The weak dollar and strong economic recovery in the rest of the world, coupled with tightened supplies of competing beef, are factors allowing for upward momentum in the U.S. beef export market. The U.S. dollar has continued to decline against the currencies of major beef trading partners, markedly losing strength since the summer of 2010. The dollar is at its lowest levels against the Mexican peso and Korean won since late 2008, and in the final quarter of last year it hit new lows against the Japanese yen.

Global economies also continue to strengthen, as does demand for U.S. beef. Strong growth is anticipated in U.S. beef exports to Asia. The recent outbreak of foot-and-mouth disease (FMD) in South Korea has raised expectations for even stronger growth of U.S. beef exports to South Korea this year. The cattle sector in South Korea was only minimally impacted, however,, with an estimated 5 percent of the cattle herd being culled. A more significant factor for increased U.S. beef exports to South Korea this year would be the inevitably higher pork prices created as a result of the large swine cull. Faced with higher prices, South Koreans may switch to other protein sources, such as beef, to fill the pork supply gap. March 10 forecasts assume growth in beef exports to Japan, but the effects of the recent earthquake on the level and timing of shipments is uncertain.

First-quarter 2011 U.S. beef exports are expected to outpace 2010 by 28 percent, at 610 million pounds. In the second and third quarters of 2011, 9- and 3- percent growth above 2010 levels is anticipated. Exports in the fourth quarter should decline below 2010 levels. Total U.S. beef exports this year are expected to sum to 2.43 billion pounds. This would be 9.3 percent of U.S. production, only fractionally below the record of 9.4 percent set in 2000. Accounting for a further decrease in U.S. beef imports, the United States would again be a net exporter of beef in 2011 on a quantity basis, as it was for the first time last year, and beef export levels in 2011 would also be only 3.7 percent below the record—and pre-BSE outbreak—year 2003.

Beef Imports To Remain Squeezed

With decreases in beef production expected in major U.S. beef exporting countries and a weak dollar expected to persist through 2011, downward pressure on U.S. beef imports is continuing. The import forecast for this year is at 2.3 billion pounds, virtually unchanged from 2010. Supplies from Oceania are limited due to continued affects of herd rebuilding in Australia and New Zealand. Slaughter rates in those countries are expected to continue to decline in the first half of the year, as will production and exportable supplies. Imported Australian processing beef prices (90 percent lean frozen, East Coast) have also been quoted in the upper 190 cents-per pound (c/lb) range since the beginning of this year, averaging 198.14 (c/lb) through February. High Australian beef prices are also aggravated by the US/AUD exchange rate. These are the highest prices in several years, and they can be expected to climb higher.

Beef imports by the United States should remain below year-earlier levels through the first half of this year. In the first and second quarters, 495 and 601 million pounds are forecast to be imported, 14 and 12 percent below the respective 2010 quarters. Beef imports should not rise above year-earlier levels until the final quarter of this year when more beef becomes available for export from Oceania.

Mexican Cattle Imports Start 2011 Off Strong

Cattle imports from Mexico are well above year-earlier levels. According to AMS weekly reports, imports of Mexican cattle through February are 54 percent higher year-over-year. Cattle imports from Mexico in January were 67 percent higher than last year. Imported steer prices (imported 500-600 lb feeders, Las Cruces) took another jump in January relative to the comparable Mexico City prices (grass-fed steers, Mexico City). Conversely, total imports of Canadian cattle are 28 percent lower. This is primarily due to year-over-year lower late-summer placements in Canada. Cattle imports in 2011 should not exceed 2010 levels, since the total cattle inventory in North America is even smaller than last year. The Mexican market, however, has proved to respond strongly to price incentives. Cattle imports for 2011 are forecast at 2.1 million head, 8 percent lower.

Pork Supplies Up, Prices Year-Over-Year Higher

Despite larger pork supplies in January-February, average prices for hogs and wholesale pork were greater than in the same period last year. For the first 2 months of 2011, estimated commercial hog slaughter was nearly unchanged from a year earlier, and estimated commercial pork production was about 3 percent greater than in January-February 2010. However, prices of live equivalent 51-52 percent lean hogs averaged \$58.59 for January-February, almost 19 percent greater than a year ago. Wholesale pork prices, averaged for January and February, were 22 percent greater than over the same period last year. Such year-over-year price increases accompanying larger supplies can only occur when product demand increases. Among the factors that have likely driven increases in pork demand are higher incomes generated by recovering economies, higher domestic prices of substitute animal proteins—beef and poultry in this case—and a relatively low-valued U.S. dollar exchange rate that mitigates higher U.S. pork prices for foreign consumers. As a result, hog and pork markets equilibrate at higher price levels, much to the benefit of the U.S. pork sector.

Hog Weights Jump Despite Higher Feed Costs

Higher estimated average dressed hog weights in January-February were largely responsible for the increase in pork production. As noted above, January-February estimated commercial hog slaughter was about unchanged compared with the same period last year, while estimated commercial pork production was more than 3 percent greater than a year earlier. The estimated average dressed weight for January-February 2011 was almost 5 pounds greater than a year ago, providing a healthy kick to pork production in the first 2 months of 2011. What is unusual is that significantly higher average dressed weights are coming at a time when the cost of adding another pound to a hog has increased dramatically, due to higher corn and soybean meal prices. So far in 2011, however, the higher prices of hogs and pork, which increased domestic and foreign demand are largely responsible for generating, appear to be more than offsetting the costs of feeding hogs to higher weights.

First-quarter commercial pork production is forecast at almost 5.7 billion pounds, 1.5 percent above the same period last year. Second-quarter production is expected to be 5.35 billion pounds, slightly less than 1 percent above a year earlier. Prices for live equivalent 51-52 percent lean hogs are expected to average \$58 and \$59 per cwt in the first quarter and \$62 and \$66 in the second quarter. USDA will release the Quarterly Hogs and Pigs report on Friday, March 25, 2011.
<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1086>

Pork Exports Begin 2011 on a Strong Note

U.S. exporters shipped almost 369 million pounds of pork in January, a quantity more than 17 percent higher than a year ago. The largest foreign buyers in January were Japan (23 percent above the previous year), Mexico (down less than 1 percent), South Korea (144 percent higher), Canada (down almost 5 percent), and China. U.S. exports to China increased to almost 26 million pounds in January, from less than 1 million pounds a year earlier.

Exports in 2011 are expected to be 4.675 billion pounds, almost 11 percent higher than in 2010. Exports will likely account for almost 21 percent of U.S. commercial pork production this year, compared with almost 19 percent last year and about 14 percent 5 years ago.

Pork imports were almost 64 million pounds in January, about the same as in January 2010. As is typical, more than three-quarters of U.S. pork imports (79 percent) came from Canada. Denmark accounted for 9 percent in January, while the next largest originating country was Mexico, which accounted for 4 percent of January imports. Imports are expected to be 920 million pounds this year, slightly more than 7 percent higher than last year.

Imports of live swine were almost 482 million head in January, 3.6 percent lower than a year ago. All categories of swine imports were lower, except that of animals weighing less than 7 kgs, which was more than 7 percent greater than last year. Strong U.S. hog prices are the most likely factor drawing Canadian early-weaned animals into the United States. The average January prices for 10 pound basis early-weaned animals (NW_LS255 National Direct Delivered Feeder Pig Report) was \$51.54 per head, almost 20 percent higher than in January 2010.

Broiler Production Rises Strongly in January, First-Quarter Estimate Revised Upward

Broiler meat production for January 2011 was reported at 3.13 billion pounds, up 10 percent from the previous year. The increase was the result of strong growth in both the number of birds slaughtered and in the average live weight at slaughter. The trend towards more birds slaughtered was boosted by 1 more slaughter day in January 2011 than in January 2010. The total number of birds slaughtered was 713 million, up 6 percent from January 2010, and the total live weight of broilers at slaughter rose by 10 percent. The average live weight at slaughter was 5.85 pounds, up 4 percent from the previous year.

With January's strong increase in broiler meat production and expectations for February and March to show year-over-year production gains, the broiler meat production estimate for first-quarter 2011 was increased by 100 million pounds to 9.23 billion pounds, an increase of 5.6 percent from a year earlier. Some of the production gain is expected to come from a higher number of birds slaughtered, but more of the increase will be due to higher average weights at slaughter throughout the remainder of the first quarter and into the second quarter. Because of the higher expected weights, the meat production estimate for the second quarter was also increased and now is expected to total 9.39 billion pounds.

In the NASS *Poultry Slaughter 2010 Summary*, there were some revisions to broiler meat production and slaughter numbers for 2010, but they were relatively small and total broiler meat production for 2010 remained at 36.9 billion pounds.

Weekly estimates of broiler eggs in incubators and chick placements from the NASS *Broiler Hatchery Report* point toward continuing increases in the number of birds available for slaughter. However, the increases will be much lower than they were at the end of fourth-quarter 2010 and early in first-quarter 2011. Over the last 5 weeks (February 5 to March 5), the number of eggs placed in incubators has averaged 206 million, only 0.1 percent higher than during the same period the previous year. The incubation period for broiler eggs is 3 weeks, after which chicks are placed for growout. Over the last 5 weeks, the number of chicks being placed for growout has averaged about 1.1 percent higher than the previous year. Chicks placed for growout in mid-to-late-March will likely be ready for slaughter in early to mid-May, based on an average 7- to 8-week growout period.

Even with a strong year-over-year increase in broiler meat production in January and another, smaller increase expected in February, along with fairly high stock levels, wholesale prices for a number of broiler products seem to have reached a low point at the end of 2010 or the beginning of 2011 and they are now slowly trending upward. Over the first 2 months of 2011, the 12-City whole broiler price averaged approximately \$0.76 per pound, down about 4 cents per pound from the same period in 2010. However, by early March, prices had risen to about \$0.81 cents per pound. Year-over-year price changes for other broiler products are mixed. Prices for boneless/skinless breast meat in the Northeast market in the first 2 months of 2011 averaged \$1.15 per pound, down 12 percent from same period the previous year, but like whole bird prices, they have been gradually moving higher in recent weeks.

Prices for rib-on breasts averaged \$0.85 in January and February, and like boneless/skinless breasts prices, prices for rib-on breasts have been moving higher in early March. Even though a large decline in exports is expected in first-quarter 2011 compared with the record high exports of fourth-quarter 2010, prices for leg quarters averaged \$0.36 cents per pound in the first 2 months of 2011, up fractionally from the same period in 2010 although 7 percent lower than in fourth-quarter 2010. However, broiler wing prices have fallen considerably over the last year. The January and February 2011, average price for broiler wings was \$1.01 per pound, down over 40 percent from the same period in 2010.

The NASS *Annual Cold Storage Report* contained some adjustments to ending broiler stocks for 2010. Ending stocks for 2010 are estimated at 773 million pounds, 25 percent higher than the previous year. The stocks increase was the result of a strong increase in production in the fourth quarter, more than offsetting the record exports. Higher broiler meat production over the second half of 2010 pushed up stock levels, and stocks are expected to remain higher than the previous year through the first two quarters of 2011, but to fall below the previous year in the second-half of 2011 as production growth slows or declines.

Stocks of broiler products at the end of January 2011 were reported at 749 million pounds, 23 percent higher than the previous year. Stocks of almost all broiler products were well above their previous-year levels, the only exception being thigh meat stocks that were down about 4 percent. Stocks of wings rose the most (129 percent), and this increase has been reflected in strong declines in wholesale wing prices over the past year. The ending stocks estimate for first-quarter 2011 is 730 million pounds, an increase of 22 percent from the previous year. While this is a considerable increase from the previous year, it represents a decline from fourth-quarter 2010 and is expected to begin to place some upward pressure on broiler prices.

Turkey Production Forecast for 2011 Increased

Over the second half of 2010, turkey hatchery data showed that the number of poults being placed was 3 percent higher than in the same period the previous year. This pace increase carried through to January 2011, when the number of poults placed was 5 percent higher than a year earlier. Based on the continued increases in poult placements, the turkey meat production estimates for the first and second quarters were both increased by 25 million pounds. First-quarter 2011 turkey meat production is now forecast at 1.4 billion pounds, up 5.6 percent from the previous year, and the forecast for the second quarter is 1.43 billion pounds, up 3 percent. The gains are expected to come primarily from a higher number of turkeys being slaughtered, but a small increase in average live weight at slaughter is also expected.

Turkey meat production in January 2011 totaled 463 million pounds, up 9.1 percent from a year earlier. In January 2010, production fell 9.6 percent, so January 2011 production remains over 1 percent lower than January 2009. The increase was the result of both a higher number of turkeys being slaughtered (up 7.8 percent) and an increase in the average weight of birds at slaughter to 30.8 pounds (1.1 percent higher). The increase in the number of birds slaughtered in January was also impacted by 1 additional slaughter day in January 2011 compared with a year earlier.

Year-over-year increases in production are expected to continue in both February and March, with production over the first half of 2011 expected to be higher than in the same period in 2010. Growth in turkey meat production is expected to decline during the second half of 2011 and average slightly below the previous year.

Turkey Stocks 16 Percent Lower

The estimate for turkey stocks at the end of January 2011 was 254 million pounds, down 16 percent from the previous year. The decrease in cold storage holding stems from sharply lower holdings in a number of the categories reported for turkeys. At the end of January 2011, whole bird stocks were estimated at 83 million pounds, down 26 percent from the same period in 2010. Stock levels also declined strongly for breast meat, which fell by 21 percent to 56 million pounds. One of the exceptions to these declines was in the stocks of mechanically deboned meat (MDM), which were up 42 percent to 9 million pounds. There were also some small upward revisions to ending turkey stocks for 2010. They are now estimated at 192 million pounds, slightly higher than the original estimate and 27 percent below the previous year.

The large decrease in stocks of whole birds at the end of 2010 and into 2011 has pushed whole bird prices higher, even with less-than-ideal economic conditions. Whole bird prices were well above the previous year throughout 2010, and this pattern has continued into the first quarter of 2011. Over the first 2 months of 2011, whole turkey prices have continued above year-earlier levels. In February, prices for frozen whole hens averaged \$0.90 per pound, 19.6 percent higher than at the same time in 2010. Prices for frozen whole hens are forecast to remain above year earlier-levels through the first half of 2011. Prices for boneless/skinless breast meat were also sharply higher in January, averaging \$2.59 per pound, over 70 percent higher than a year earlier. One exception to the higher prices was turkey MDM. With stocks of turkey MDM higher than a year earlier, prices for turkey MDM in January were only \$0.19 per pound, down slightly from the previous year.

Table Egg Production Up in January

Table egg production in January was 562 million dozen, up 1.6 percent from the previous year. Table egg production had been down in both October and November 2010, and this is the second month of year-over-year increases in production. The number of birds in the table egg flock was slightly higher, rising by 0.5 percent from January 2010. The table egg flock is expected to continue to be slightly larger than the previous year for most of 2011, which is expected to result in higher table egg production in 2011. Table egg production is forecast at 1.635 billion dozen in the first quarter of 2011, 1.5 percent higher than the previous year. Overall production for 2011 has been revised upward to 6.6 billion dozen, which would be a 1.3 percent increase from 2010. The *NASS Annual Chicken and Egg Report* contained some slight upward revisions to table egg production in 2009 (6.49 billion dozen) and 2010 (6.55 billion dozen).

While table egg production was rising in January, hatching egg production declined slightly to 90 million dozen. The decline in production was the result of lower production of egg-type hatching eggs (down 5.7 percent), as production of broiler-type hatching eggs rose slightly.

Hatching egg production during the first three quarters of 2011 is expected to be about even with the previous year, but to decline slightly in the fourth quarter as broiler production slows. As with table eggs, the NASS *Annual Chicken and Egg Report* contains some revisions to hatching egg production in both 2009 and 2010. In both cases the upward revisions only marginally change the yearly totals.

Wholesale table egg prices were relatively strong in January 2011, at \$1.08 per dozen, Grade A large, but this is a decrease of \$0.18 per dozen from the previous year. Table egg prices remained just below \$1.10 per dozen through most of February, but by the beginning of March they had fallen to about \$0.93 per dozen. With Easter very late this year (April 24), egg prices may not gain much upward strength until the last of March. For that reason, the estimate for first-quarter 2011 egg prices was lowered to \$1.04 to \$1.07 per dozen, well below the average for the previous year (\$1.26 per dozen). The late Easter is expected to help boost the average egg price in second-quarter 2011 above the previous year. With a small expansion expected in table egg production, egg prices for 2011 are expected to average \$0.97 to \$1.03 per dozen, which would be about a 6 percent decline from the previous year.

Egg Exports Expand in 2010

Egg exports in 2010 rose to 258.2 million dozen, up 6.6 percent from a year earlier. Almost all the growth was from higher shipments to a number of Asian markets. Exports to both Canada and Mexico--traditionally-two of the largest U.S. export markets--were both down sharply, likely due to higher wholesale table egg prices in 2010, especially in the first and fourth quarters. The declines in exports to Canada and Mexico were more than offset by strong exports to Korea, Japan, and Hong Kong. These three markets accounted for 27 percent of total egg and egg product shipments. Also boosting egg exports were higher shipments to a number of European countries. Egg exports in 2011 are expected to decline to 247 million dozen due to smaller shipments to European countries.

Even with relatively strong prices at the end of 2010 and into January 2011, egg exports in January totaled 19.1 million dozen, up 8 percent from the previous year. In most cases the higher shipments in January 2011 were a continuation of the pattern seen in most of 2010. Most of the increases in total shipments were due large gains in exports to Korea, Japan, and Hong Kong. One exception was that shipments to Mexico were up almost 55 percent, while in 2010 shipments to Mexico had fallen by 15 percent from the previous year.

Broiler Shipments Up Slightly in January

The beginning of 2011 brought slightly higher volumes of broiler shipments than occurred in January 2010. In January 2011, broiler shipments totaled 462.5 million pounds, less than a 1-percent increase from last January. Sizeable increases in broiler shipments went to Mexico and Hong Kong. Shipments to Mexico increased 22 percent from a year ago, while just over 66 percent more broiler meat was shipped to Hong Kong than a year earlier. Although broiler shipments were up in January 2011, several major broiler meat destinations (such as Russia and China) imported less broiler meat than they did a year ago. There was a 75-percent reduction in broiler shipments to Russia compared with January 2010 and a 73-percent drop in shipments from China. These declines helped pull down the volume shipped in January 2011 below 500 million pounds, the lowest since February 2010.

Turkey Shipments Start Out Strong in January

Turkey shipments in January 2011 were up 47 percent from a year ago. A total of 47.6 million pounds of turkey meat were shipped to different destinations abroad. Over 29 million pounds of the turkey went to Mexico, a 52-percent increase from the previous year. Exports to China, the second largest U.S. turkey market, were over 5.8 million pounds in January 2011. Exports to Canada, the third largest U.S. turkey market, were 28 percent less than in January 2010. Mexico, China, and Canada accounted for 75-percent of U.S. total turkey shipments in January 2011, compared with 70 percent in January 2010.

Lamb and Mutton Production Down, While Prices Sizzle

U.S. lamb and mutton production forecasts are seeing their lowest levels on record. First-quarter 2011 lamb and mutton production is forecast at 37 million pounds, down 14 percent from the same period in 2010. Production in January of 11.2 million pounds and the expected February production of 11 million pounds are record lows. The late arrival of this year's Easter and Passover holidays (April 24) makes it unlikely that a significant boost in domestic production will be seen in March.

In the face of extraordinarily high sheep and lamb prices, sheep producers are faced with the dilemma of retaining animals and rebuilding their breeding herds in anticipation of even higher prices at a later date. However, retention reduces the number of animals available for slaughter, causing a decline in production. The Catch-22 is that any attempts at retention could contribute to further erosion of the U.S.-produced share of its lamb meat consumption. This dilemma is further complicated by the fact that--unlike the cattle industry, which sources some of its stocker and/or feeder cattle from Mexico and Canada and therefore has the ability to rebuild its herds while increasing production--the sheep industry sources all of its animals within the United States. As a result, simultaneously rebuilding herds and increasing production is not feasible without significant productivity increases (increased slaughter weight per animal). Since U.S. lamb meat consumption is fairly stable, it is expected that imported lamb and mutton will have an opportunity to fill the void left by lower production.

In February 2011, Slaughter lamb prices at San Angelo, Texas saw their biggest 1-month jump on record, climbing nearly \$20 per cwt from an already elevated \$164.19 per cwt in January. First-quarter Slaughter lamb prices at San Angelo are forecast at \$171 to \$177 per cwt, up about \$70 from the same period last year. February 2011 prices in the other sheep categories are also high and are expected to remain elevated throughout the year, a result of the very tight supplies of sheep throughout the sector—the ewe price at San Angelo was \$86 per cwt, nearly \$15 above a year earlier; the feeder lamb price at San Angelo was \$212.50 per cwt, more than \$90 above a year earlier; and the East-Coast wholesale lamb price averaged \$323.11 per cwt, nearly \$100 per cwt above a year earlier. Improved demand around the period of the religious holidays is expected to push prices even higher.

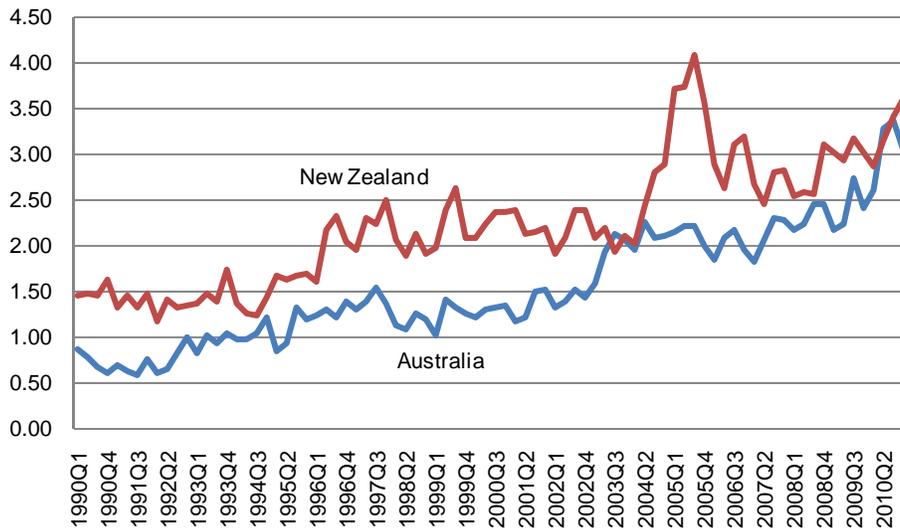
Despite very strong Australian and New Zealand currencies, lamb and mutton imports remain strong. The nominal per unit value of imports continues to show an upward trend; for both Australia and New Zealand, it has more than doubled since 1990. New Zealand imported lamb has always shown a higher per unit value because it usually ships a greater proportion of higher valued cuts to the United States than Australia. Australia's per unit value of imported lamb and mutton has increased from under \$1.00 per pound to over \$3.00 per pound, while New Zealand's per unit value of imported lamb and mutton has increased from around \$1.50 per pound to above \$3.50 per pound. Australia continues to supply nearly 70 percent of U.S. lamb and mutton imports, while New Zealand makes up the rest.

Total lamb and mutton imports for fourth-quarter 2010 were 41 million pounds, but this is expected to increase to around 48 million pounds in the first quarter of 2011 in preparation for the April religious holidays. January 2011 imports were 17 million pounds, 6 percent above January 2010.

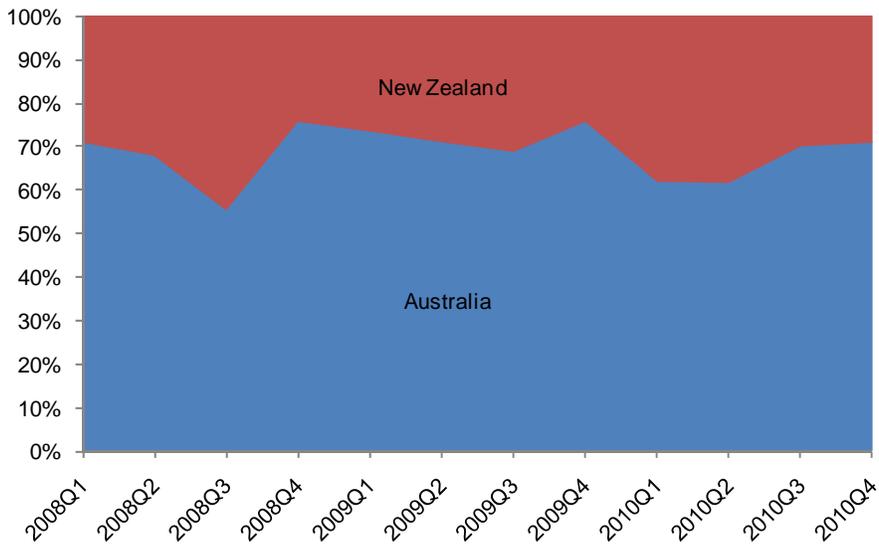
Although global lamb consumption increases during the religious holidays, tight domestic supplies are expected to constrain exports. Exports for fourth-quarter 2010 were 3 million pounds, down 40 percent from the same period last year. Exports in January 2011 were 1.4 million pounds, 22 percent below the same period last year. However, exports are expected to increase to around 4 million pounds in the first quarter 2011.

Nominal per unit lamb import values have increased significantly since 1990

Dollars per pound



About 70 percent of lamb and mutton exported to the United States comes from Australia



Cow Numbers Continue To Expand as Milk Prices Rise; Strong Demand Underpins the Market

Corn prices in 2010/11 are expected to be high by historic standards, averaging \$5.15 to \$5.65 per bushel for the crop year. USDA did not revise the corn supply, demand, and price forecast this month from last. The soybean meal price is forecast to average \$340 to \$370 a ton in 2010/11, and this month's forecast was revised downward slightly from last month. Feed ingredient prices could push the 16-percent mixed ration value up by more than \$2 per cwt from the \$7.25 calculated for 2010. Countering this is the likelihood of higher milk prices this year. Despite much higher expected feed prices, higher milk prices are likely supporting the modest expansion in dairy cows that began last fall and could extend for at least the first half of the year. Later this year, pressure from projected high feed prices and softening milk prices could precipitate a modest downturn in cow numbers. USDA forecasts cow numbers to average 9.17 million in 2011.

Milk yield per cow rose by nearly 2.8 percent in 2010 and is forecast to climb by only slightly more than 1 percent in 2011, a rate much closer to long-term trend. Downward revisions in output per cow in late 2010 and slower than expected growth in January contribute to the forecast. Along with this, dairy cow slaughter has been trending upward since last fall, based on year-earlier comparisons. The higher implied culling, along with an ample supply of dairy heifers, suggests that herd freshening may be underlying the expansion. The introduction of a greater number of heifers could also slow the growth rate in milk per cow in 2011. The younger cows typically will not hit their production stride in the first lactation. Annual output per cow is forecast at 21,375 pounds. That forecast and the forecast cow population will lead to about 196 billion pounds of milk being produced in 2011, an increase of almost 2 percent over 2010.

Milk equivalent imports are projected lower in 2011 on both a fats and skims-solids basis at 3.9 billion pounds and 4.7 billion pounds, respectively. Milk equivalent exports are also expected to decline in 2011 compared with last year. Milk equivalent exports are forecast at 6.7 billion pounds on a fats basis and 31.1 billion pounds on a skims-solids basis. Although lower than last year, exports on both a fats and skims-solids basis have been revised upward slightly over the last few months, as global demand has appeared to strengthen. Recent strength in domestic cheese prices may erode U.S. competitiveness in the world market. Very firm demand for nonfat dry milk and skim milk powder (NDM/SMP), along with a weak dollar, are the basis for the export forecast on a skims-solids basis. U.S. product prices are close to world prices, especially for powder products, but greater anticipated production from Oceania later this year, the result of expected large farm milk production, could limit exports. Domestic commercial use is forecast to climb in 2011 by 2.1 percent on a fats basis, a sizeable rise compared with recent years. Domestic commercial use on a skims-solids basis is forecast to rise 2.8 percent this year following last year's contraction of 2.7 percent.

Major dairy product prices are expected to go higher in 2011. Prices were revised upward this month from February's forecasts. Export demand for cheese and NDM boosted prices as exporters competed with domestic demand. Cheese prices are forecast to average \$1.695 to \$1.755 per pound for the year, and NDM prices are projected to average \$1.365 to \$1.415 per pound. Although seemingly high in light of reported cheese stocks, the high cheese price, along with exceptionally high December cheese exports, suggests that exports may be currently supporting the price. Extremely tight butter stocks are helping to support currently high butter prices. Later this year, continued improvement in domestic demand for cheese and butter is expected to support prices as increased milk production and lowered export prospects from rising competition work to limit prices. The butter price is expected to average \$1.735 to \$1.825 per pound for the year. Whey prices are forecast to average 40.0 to 43.0 cents per pound. High NDM prices may be providing some support for whey prices. The higher expected prices for the major dairy products lead to rising forecasts milk prices. Milk price forecasts will be higher this year than last, and the milk price forecast was raised in March from February projections. The Class IV price is estimated to average \$16.95 to \$17.65 per cwt and will average above the Class III price, which is expected to average \$16.35 to \$16.95 per cwt. The all milk price is forecast to average \$18.10 to \$18.70 per cwt in 2011.

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Livestock and Meat Trade Data, <http://www.ers.usda.gov/Data/MeatTrade/>, contains monthly and annual data for the past 1-2 years for imports and exports of live cattle and hogs, beef and veal, lamb and mutton, pork, broiler meat, turkey meat, and shell eggs. The tables report physical quantities, not dollar values or unit prices. Breakdowns by major trading countries are included.

Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/Publications/ldp/>
Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>
Cattle, <http://www.ers.usda.gov/briefing/cattle/>
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U.S. red meat and poultry forecasts

	2004	2005	2006		2007 1/					2008					2009					2010					2011							
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb																																
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,237	6,649	6,802	6,733	26,421	6,372	6,899	6,908	6,382	26,561	6,248	6,602	6,689	6,424	25,963	6,251	6,549	6,771	6,746	26,316	6,465	6,625	6,665	6,320	26,075
Pork	20,511	20,685	5,335	5,008	5,087	5,625	21,055	5,396	5,128	5,256	6,163	21,943	6,024	5,593	5,632	6,098	23,347	5,811	5,488	5,698	5,996	22,993	5,607	5,301	5,401	6,127	22,436	5,690	5,350	5,505	6,020	22,565
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	42	43	174	42	42	42	45	171	43	40	39	42	164	37	40	38	40	155
Broilers	34,063	35,365	8,814	8,980	8,870	8,835	35,500	8,625	9,085	9,131	9,285	36,126	9,145	9,439	9,457	8,865	36,906	8,573	8,939	9,172	8,827	35,511	8,732	9,198	9,496	9,484	36,911	9,225	9,370	9,475	9,375	37,445
Turkeys	5,454	5,504	1,351	1,435	1,419	1,476	5,682	1,413	1,482	1,488	1,575	5,958	1,536	1,560	1,568	1,582	6,246	1,385	1,420	1,417	1,441	5,663	1,339	1,383	1,415	1,506	5,643	1,400	1,425	1,410	1,440	5,675
Total red meat & poultry	85,442	87,097	21,792	22,362	22,413	22,656	89,224	21,874	22,552	22,876	23,962	91,264	23,292	23,717	23,791	23,137	93,937	22,148	22,561	23,091	22,819	90,618	22,124	22,628	23,293	24,064	92,108	22,970	22,967	23,256	23,358	92,551
Table eggs, mil. doz.	6,365	6,413	1,617	1,617	1,632	1,656	6,522	1,598	1,593	1,602	1,642	6,435	1,587	1,577	1,599	1,640	6,403	1,597	1,603	1,614	1,661	6,475	1,603	1,620	1,639	1,667	6,550	1,635	1,650	1,660	1,690	6,635
Per capita disappearance, retail lb 2/																																
Beef	66.1	65.6	15.8	16.9	16.9	16.3	65.8	15.9	16.6	16.4	16.2	65.2	15.6	16.3	15.8	15.1	62.8	15.3	15.7	15.6	14.7	61.2	14.6	15.1	15.3	14.6	59.6	14.5	14.9	14.9	14.1	58.5
Pork	51.4	50.0	12.4	11.9	11.9	13.1	49.4	12.3	12.2	12.3	14.0	50.8	12.6	11.6	12.0	13.3	49.5	12.5	12.0	12.5	13.0	50.1	11.8	11.4	11.7	12.8	47.7	11.7	11.3	11.4	12.3	46.7
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.2	0.3	1.0	0.3	0.2	0.2	0.3	1.0	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.9
Broilers	84.4	85.8	21.7	22.1	21.9	20.9	86.5	21.2	21.6	21.4	21.2	85.4	21.3	21.4	21.1	19.7	83.5	19.3	20.1	20.6	19.6	79.6	20.0	20.5	21.4	20.3	82.2	20.9	21.2	21.3	20.7	84.0
Turkeys	17.1	16.7	3.5	3.9	4.3	5.2	16.9	3.8	4.1	4.2	5.5	17.5	4.0	4.1	4.3	5.3	17.6	3.7	3.9	4.0	5.3	16.9	3.5	3.6	4.1	5.1	16.4	3.6	3.8	3.7	4.9	16.1
Total red meat & poultry	221.6	221.0	54.1	55.5	55.6	56.1	221.3	53.9	55.1	54.9	57.6	221.6	54.1	54.2	53.8	54.0	216.1	51.4	52.4	53.4	53.3	210.5	50.6	51.2	53.2	53.6	208.6	51.4	51.8	52.0	52.7	207.9
Eggs, number	257.3	255.8	64.1	63.7	63.9	64.7	257.8	62.2	61.7	62.4	63.8	250.1	61.8	61.3	62.0	63.8	248.9	62.0	61.5	61.4	62.9	247.7	61.4	61.3	62.0	62.7	247.4	61.5	62.0	62.3	63.0	248.9
Market prices																																
Choice steers, 5-area Direct, \$/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	93.45	91.36	91.85	91.82	89.59	92.82	98.45	88.22	92.27	84.48	84.48	83.05	83.29	83.25	89.44	96.33	95.47	100.28	95.38	107-110	106-112	103-111	104-112	105-111
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.23	104.08	115.17	103.22	107.18	99.53	108.87	115.64	108.88	108.23	99.88	106.60	110.81	94.62	102.98	92.84	98.64	99.40	93.67	96.14	98.73	112.65	112.29	111	108.71	125-127	120-125	116-124	118-126	118-126
Cutter Cows, National L.E., \$/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	51.04	53.96	54.07	49.40	52.12	53.88	57.30	61.78	46.70	54.92	45.42	48.57	46.44	43.56	46.00	51.79	58.79	58.90	54.93	56.1	65-67	62-66	59-65	59-65	61-65
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	82.59	82.53	87.33	87.55	84.93	86.23	79.62	88.83	88.95	85.91	90.14	91.44	88.35	90.47	90.10	103.87	106.17	115.57	142	124.67	172-176	170-180	170-180	175-185	173-183
Barrows & gilts, N. base, l.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	50.33	39.43	47.09	39.64	52.51	57.27	41.92	47.84	42.11	42.74	38.90	41.20	41.24	50.41	59.60	60.13	50.11	55.06	58-59	62-66	62-68	55-59	59-63
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.00	80.30	79.20	71.10	76.40	78.10	80.60	80.60	79.40	79.70	79.70	81.90	76.80	72.10	77.60	82.2	85	84.5	80	82.9	77-78	81-85	83-89	84-90	81-86
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.70	77.90	89.90	90.80	82.10	77.40	88.90	96.50	87.30	87.50	73.80	79.10	81.40	83.80	79.50	75.6	84.4	97.9	103.7	90.4	89-90	90-94	92-100	93-101	91-96
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	92.0	119.1	141.0	114.4	158.8	117.30	114.50	122.60	128.30	109.70	89.70	94.80	117.70	103.00	126	82.8	93.1	123.2	106.3	104-107	89-93	90-98	106-114	97-103
U.S. trade, million lb																																
Beef & veal exports	460	697	215	315	307	308	1,145	269	363	424	375	1,431	360	471	609	448	1,888	384	471	496	518	1,869	478	585	590	646	2,299	6,110	635	605	575	2,425
Beef & veal imports	3,679	3,599	843	790	730	722	3,085	770	884	774	624	3,052	637	661	584	655	2,537	704	751	623	550	2,628	573	690	598	436	2,297	495	610	620	570	2,295
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	38	47	185	51	46	28	46	171	47	46	30	38	161	48	44	33	43	168
Pork exports	2,181	2,666	767	763	654	811	2,995	792	685	703	959	3,138	1,106	1,387	1,126	1,049	4,668	1,033	952	1,016	1,125	4,126	1,047	1,081	952	1,147	4,227	1,120	1,135	1,165	1,255	4,675
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	191	218	831	205	196	210	223	834	199	204	237	240	880	220	220	235	245	920
Broiler exports	4,783	5,203	1,270	1,297	1,234	1,404	5,205	1,275	1,393	1,493	1,610	5,771	1,507	1,787	1,912	1,756	6,962	1,753	1,655	1,719	1,708	6,835	1,488	1,683	1,648	1,954	6,773	1,625	1,625	1,675	1,725	6,650
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	122	152	144	535	114	136	159	174	583	130	135	145	150	560
Live swine imports (thousand head)	8,506	8,191	2,133	2,088	2,204	2,338	8,763	2,302	2,370	2,464	2,869	10,005	2,915	2,149	2,201	2,083	9,348	1,761	1,614	1,518	1,472	6,365	1,446	1,408	1,479	1,450	5,783	1,450	1,410	1,480	1,450	5,790

1/Forecasts are in bold.

2/Per capita meat and egg disappearance data are calculated using the Resident Population Plus Armed Forces Overseas series from the Census Bureau of the Department of Commerce.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

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Dairy Forecasts

	2010					2011				
	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,093	9,119	9,126	9,130	9,117	9,170	9,175	9,175	9,165	9,171
Milk per cow (pounds)	5,212	5,462	5,267	5,208	21,149	5,300	5,505	5,300	5,270	21,375
Milk production (bil. pounds)	47.4	49.8	48.1	47.5	192.8	48.6	50.5	48.6	48.3	196.0
Farm use	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	47.2	49.6	47.8	47.3	191.9	48.4	50.3	48.4	48.1	195.1
Milkfat (bil. pounds milk equiv.)										
Milk marketings	47.2	49.6	47.8	47.3	191.9	48.4	50.3	48.4	48.1	195.1
Beginning commercial stocks	11.3	13.1	13.5	12.2	11.3	10.9	12.7	14.2	13.4	10.9
Imports	1.2	1.0	1.0	0.9	4.1	1.1	0.9	1.0	1.0	3.9
Total supply	59.7	63.6	62.3	60.4	207.3	60.4	63.8	63.5	62.5	209.9
Commercial exports	1.3	2.4	2.4	2.2	8.3	1.7	1.8	1.8	1.5	6.7
Ending commercial stocks	13.1	13.5	12.2	10.9	10.9	12.7	14.2	13.4	11.4	11.4
Net removals	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Commercial use	45.0	47.8	47.7	47.3	187.8	46.0	47.8	48.4	49.6	191.8
Skim solids (bil. pounds milk equiv.)										
Milk marketings	47.2	49.6	47.8	47.3	191.9	48.4	50.3	48.4	48.1	195.1
Beginning commercial stocks	11.3	11.9	12.6	12.5	11.3	12.3	12.0	12.7	12.3	12.3
Imports	1.2	1.2	1.3	1.3	4.8	1.3	1.1	1.1	1.2	4.7
Total supply	59.6	62.7	61.7	61.0	208.0	61.9	63.4	62.2	61.6	212.0
Commercial exports	6.2	8.7	8.4	8.7	32.1	7.9	8.1	7.8	7.3	31.1
Ending commercial stocks	11.9	12.6	12.5	12.3	12.3	12.0	12.7	12.3	12.3	12.3
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	41.9	41.3	40.9	40.0	164.1	42.1	42.5	42.1	42.0	168.6
Milk prices (dol./cwt) 1/										
All milk	15.60	15.07	16.80	17.70	16.29	18.40	19.15	17.70	17.15	18.10
						-18.60	-19.65	-18.50	-18.15	-18.70
Class III	13.85	13.31	15.06	15.40	14.41	16.45	17.40	16.10	15.45	16.35
						-16.65	-17.90	-16.90	-16.45	-16.95
Class IV	13.22	14.82	16.04	16.29	15.09	18.00	17.90	16.50	15.45	16.95
						-18.30	-18.50	-17.40	-16.55	-17.65
Product prices (dol./pound) 2/										
Cheddar cheese	1.471	1.419	1.587	1.614	1.523	1.695	1.790	1.675	1.625	1.695
						-1.715	-1.840	-1.755	-1.725	-1.755
Dry whey	0.386	0.366	0.362	0.373	0.372	0.405	0.420	0.405	0.385	0.400
						-0.425	-0.450	-0.435	-0.415	-0.430
Butter	1.387	1.551	1.915	1.955	1.702	1.980	1.865	1.615	1.480	1.735
						-2.020	-1.945	-1.725	-1.610	-1.825
Nonfat dry milk	1.107	1.212	1.174	1.183	1.169	1.365	1.410	1.370	1.315	1.365
						-1.385	-1.450	-1.430	-1.385	-1.415

1/ Simple averages of monthly prices. May not match reported annual averages.

2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. "Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfm0s/mib/fedordprc_dscrp.htm

Source: World Agricultural Supply and Demand Estimates and supporting materials.

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